

Statement for the Record

Hearing on the “Tax-Related Provisions in the President’s
Health Care Law”

March 5, 2013

Subcommittee on Oversight

House Committee on Ways and Means

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Chairman Boustany, Ranking Member Lewis, and other distinguished members of the Subcommittee on Oversight of the House Committee on Ways and Means, I am submitting this Statement for the Record on behalf of Medicaid Health Plans of America (MHPA) for the hearing on Tax-Related Provisions in the President's Health Care Law conducted by the Subcommittee on March 5, 2013. My comments are regarding the insurer fee contained in Section 9010 of the Patient Protection and Affordable Care Act (PPACA), Public Law 111-148.

MHPA is the leading national association solely focused on representing the interests of Medicaid health plans. MHPA's 123 member plans serve more than 15 million beneficiaries in 33 states and the District of Columbia. As you may know, over half (51%) of all Medicaid beneficiaries now receive their Medicaid benefits through full-risk, capitated Medicaid health plans.

MHPA appreciates the Subcommittee's attention to the impact that tax provisions contained in the ACA, including the insurer fee, will have on individuals, families, businesses and device manufacturers. These taxes would result in higher health insurance premiums in the commercial market and could stifle innovation among manufacturers of many products used by health care consumers. As discussed during the hearing, the impact of these taxes on consumers has gone largely unrecognized by the general public and deserves of a thorough discussion.

However, states' Medicaid programs and Medicaid beneficiaries will also be heavily impacted specifically by the insurer fee. The insurer fee applies to most health insurance companies in the market and this includes nearly all of MHPA's membership, Medicaid health plans that contract with states to serve as the payment and delivery system for states' Medicaid beneficiaries.

The negative impact of this fee is especially apparent when analyzing its effect on state Medicaid programs. The Medicaid program serves our nation's neediest population, including low-income pregnant women, children and individuals with disabilities. Each state's Medicaid program is funded by the federal government and states. Most states contract with managed care organizations to deliver Medicaid benefits and services to beneficiaries. The states are required by the federal government to pay Medicaid health plans actuarially sound rates to ensure that plans have enough resources to cover the care needed by enrollees as well as common costs of doing business, which include taxes and fees. This means that Medicaid health plans will be paid with state and federal dollars to cover this fee owed as a result of the PPACA. Further, this fee is nondeductible and counts as taxable income, which only exacerbates the cost.

MHPA commissioned Milliman, a leading actuarial firm, to analyze the impact of the fee on Medicaid health plans and to quantify the resulting cost to states and the federal government. The Milliman report found that over ten years, the fee would cost the government \$38.4 billion. The state portion of this estimate is \$13.6 billion and \$24.8 billion would be the federal portion.

The loss of state and federal Medicaid funding that would result from this fee being placed on Medicaid health plans will strain states and the Medicaid programs, as well as reduce funding and access to services available for Medicaid beneficiaries. As states face financial pressure to implement the PPACA

and expand the Medicaid program, the insurer fee will drain states of valuable and limited health care dollars.

In closing, MHPA supports full repeal of the insurer fee. We applaud Chairman Boustany's legislation, H.R. 763, to fully repeal the fee in order to avoid the negative impact that it will have on state Medicaid programs and beneficiaries. We urge Committee members to continue to recognize the negative impact that this fee will have on the Medicaid program as one very important component to the overall concerns regarding taxes contained in the ACA

Thank you for the opportunity to submit a Statement for the Record on behalf of MHPA.